UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Administration
Washington, D. C.

May 18, 1942

To: Fred Wallace, Chief, Agricultural Adjustment Agency
C. B. Baldwin, Administrator, Farm Security Administration
M. L. Wilson, Director of Extension Service

From: Roy F. Hendrickson, Administrator

Subject: Statement on the Wartime Hog Production Goal, Why It Is Needed and How It Is Being Supported

Questions have been raised in some areas as to AMA's pork buying policies. Some producers also have expressed concern over what the future holds in store--as to production increases, production costs, prices and price supports. To minimize any uncertainty that prevails the Agricultural Marketing Administration here summarizes the facts of the Department's hog production and buying programs and briefly reviews the current outlook as seen by its specialists and those in the Bureau of Agricultural Economics.

THE GOAL AND "WHY"

The Nation's farmers have been asked to produce 83 million hogs for slaughter in 1942. This goal was set by the Secretary of Agriculture to make certain we meet the requirements of our armed forces and the needs of our Allies, and also that there will be enough hog products to supply our own increasing domestic needs.

The 1942 goal is 116 percent of the production of hogs for slaughter in 1941. It does not mean that every farmer who marketed 100 hogs last year is expected to market 116 head this year. Most of the increase is being sought in areas where hog production is an established practice.

State War Boards have considered these production factors in setting goals for each State and county. Thus, most of the production necessary to reach the 1942 goal is expected to center in the regular producing areas where there are ample quantities of feed readily available, suitable equipment, and efficient marketing and slaughter facilities to get the job done without upsetting long established practices.

The job of reaching the goal is the biggest job our hog producers have ever undertaken. But it takes a lot of energy to fight a war and

to produce materials needed for that victory fight. And pork chops are excellent sources of energy!

Last year we produced nearly 9.6 billion pounds of pork and 2.3 billion pounds of lard. Nearly all these quantities were consumed in this country--all but the 400 million pounds of pork and the 300 million pounds of lard that we exported.

The goal for 1942 is expected to provide around 11.2 billion pounds of pork and 2.8 billion pounds of lard. What the exact requirements for Lend-Lease will be, we obviously do not know. Officials here believe now that fully 2 billion pounds of pork and close to 800 million pounds of lard will be sent under Lend-Lease to our Allies this year. We also must see to it that there is sufficient pork to meet our own increased domestic needs.

PRICE SUPPORT FOR PRODUCTION INCREASES

Foreseeing some of these increased needs, the Secretary of Agriculture late in 1940 and again in the spring of 1941 urged farmers to step-up their production of hogs as rapidly as possible by increasing the number of sows bred and by feeding hogs to heavier weights.

To produce more hogs, however, means larger outlays for feed, labor and equipment, greater risks--and the need for protection against severe market fluctuations and mounting production costs. That is why on April 3 of last year--early in the production campaign--the Secretary announced that production would be stimulated by Government support of prices at levels remunerative to producers. For hogs that level was placed at $9.00 per 100 pounds, Chicago basis, with allowance for usual seasonal changes. Prices at points other than Chicago woukd, of course, reflect regular market differentials for distance, quality, etc.

Additional assurance of price support was made through adoption on June 1, 1941, of the so-called "Steagall Amendment," which provides for support of prices on hogs, and a number of other products for which production increases have been called for, at not less than 85 percent of parity. Under this law, the Secretary has proclaimed that through purchases, loans and other operations such support will be provided through June 30, 1943. (Parity for hogs as of mid-April was $10.98 for the country as a whole. Therefore, 85 percent of parity is now about $9.33--which on a Chicago basis is roughly equivalent to $10.00 per hundred pounds.)

FIGURING PARITY

Parity is that price which would buy the same quantity of goods and services as it did in some prescribed base period. That base period for hogs and many other farm products is the 60-month period from July 1909 to August 1914.

For hog producers to have 100 percent of parity in April 1942, they should have been able to buy with the money they received for a 240-pound hog, the same quantity of goods that they obtained with the money received for a 240-pound hog back there in the base period. And the average received by farmers for hogs in the 1909-14 period was $7.27 per 100 pounds.

But in April this year, things farmers bought cost more than they did 30 years ago, in fact, 51 percent more than in the base period. So the hog producer, to obtain 100 percent of parity, would have had to sell his hogs for 51 percent more than the $7.27 they averaged per hundredweight in 1909-14--or for $10.98. This is how, then, the April parity for hogs was figured:

$7.27 (the 1909-14 average) x 1.51 = $10.98

Since the index (151 in April 1942) changes from month to month as prices of things farmers buy go up and down, parity prices also fluctuate from month to month and year to year.

It should be remembered, too, that parity is a national figure. The price each farmer gets, or should get to have parity, therefore, may be higher or lower than the Nation-wide average, depending upon the quality of his hogs, how close he is to market, and the kind of market to which he sells.

CURRENT PRICES ABOVE PARITY

The trend in hog prices the past year has been sharply upward (see accompanying table). The average price of hogs at Chicago during April 1942 of more than $14.00 was well above the $9.00 support level. Likewise the United States average of prices received by farmers in mid-April, at $13.48, was considerably above 85 percent of parity (in fact, 123 percent of parity).

Therefore, although purchases of hog products by the Agricultural Marketing Administration have been large the past year, and have greatly stimulated the market for hogs, they have not been needed specifically for the purpose of supporting hog prices. Instead of buying to support prices and distributing the pork through its School Lunch and other domestic distribution programs, practically all the pork purchased by the Agricultural Marketing Administration has been for shipment under Lend-Lease to our Allies.

AMA BUYING POLICIES

Lend-Lease requirements are large, much heavier than we anticipated only a few months ago.

Purchases of pork and lard for Lend-Lease shipment have been made by the AMA since March 15, 1941. From that date through April 30, 1942, the pork purchased for shipment to the United Nations totaled 948,000,000 pounds and lard purchases totaled 582,000,000 pounds. These quantities were roughly equivalent to the pork from $8\frac{1}{2}$ millin hogs and lard from about $17\frac{1}{2}$ million hogs.

More than 21 separate pork items have been bought including hams, bellies, fatbacks, clear plates, shoulders, loins, jowl butts, Wiltshire sides, together with several forms of canned meat including canned sausage. The most important item has been canned luncheon meat, which is usually packed in 12-ounce, $2\frac{1}{2}$-pound, and 6-pound cans. This meat is a sterile product and will keep indefinitely without refrigeration. Hog casings, beef casings, and edible tallow also have been purchased.

AMA buying is done on an offer and acceptance basis. All purchases are made on specification. Packers submit bids each week for the products they wish to sell, and awards are made from the competitive bids submitted. Purchases have been made only from plants operating under Federal inspection, in accordance with the provisions of the Federal Meat Inspection Act that only federally inspected meats may be shipped in interstate and foreign commerce. After delivery, mostly from 1 week to 2 months after purchase, the products are moved to seaboard points for shipment.

Because of the recent large increase in Lend-Lease requirements, the Agricultural Marketing Administration in early April asked packers operating under Federal inspection to offer for sale to the Department of Agriculture at least two-fifths of their production of pork cuts and canned pork and two-thirds of their production of lard. This action has stepped-up the weekly rate of purchases, and total purchases in the next 12 months are expected to be much larger than in the past 12 months.

THE FAT SITUATION

AMA pork and lard purchases, insofar as possible, have been the products obtained from heavyweight hogs. This buying policy is in keeping with the wishes of the Secretary of Agriculture who has advised that hog producers obtain the increased production necessary by marketing heavy, better finished hogs and not by switching their production of meat type hogs to lard types. Lard production can be increased to make up for the lack of other fats and oils by carrying hogs to heavier weights and consequently no drastic change in the type of hog produced will be necessary.

Curtailed imports point toward an 8 to 10 percent deficiency in fats and oils that will have to be replaced by domestic production if we are to meet the requirements we anticipate and maintain stocks in reserve. Production of heavier hogs will offset some of this deficiency.

LOOKING AHEAD

Prospects are that there should be no difficulty experienced in reaching the 1942 production goals. In this respect, hog marketings and slaughter this year will include some pigs from the 1941 spring crop, practically all the 1941 fall crop and part of the 1942 spring crop. Commercial slaughter in the first 3 months of 1942 (mainly from the 1941 spring crop) was about as large as was expected. And indications as to the final outcome of the 1941 fall and 1942 spring crops appear favorable. (See accompanying table.)

Though further advances in hog prices will be limited by the ceiling prices established by the Office of Price Administration, the outlook for hog producers continues favorable. With Lend-Lease purchases of pork and lard expected to continue large throughout the fall and winter, with continued strong civilian demand for meats, and with the increasing requirements of our armed forces, strong support for hog prices during the period of heavy marketings is in prospect.

Feed prices may advance somewhat relative to hog prices during the next few months, but the hog-corn price ratio is now much above average and it is expected to continue favorable for hog producers. The April ratio was the most favorable for feeding corn to hogs since the fall of 1938 when the average price for hogs at Chicago was $7.75 a hundredweight and corn sold at 45 cents a bushel.

Transportation, slaughtering and processing facilities will be severely taxed for a few weeks during the peak of the hog marketings next winter. Various factors, however, including the expectation that Lend-Lease purchases will continue large, indicate a fairly stable level of hog prices during the period. Therefore, with no marked changes in hog prices likely, farmers should be able to adjust their feeding and other operations so as to spread their marketings of spring pigs over a longer period.

The Department cannot emphasize too strongly that meats and fats are major food needs of our Allies, of our armed forces, and of our civilian workers. Therefore a tremendous contribution that farmers can make is to produce more hogs and to market them at heavier weights. And for those who make such contribution, the indications are that prices will continue to be favorable.

Index of prices paid by farmers, interest and taxes;
parity price; U. S. average price received by farmers;
and average price at Chicago for hogs, April 1941-April 1942

Month	Index of prices paid by farmers, interest and taxes	Parity price	85 percent of parity	Mid-month U.S. average price received by farmers	Average monthly price for all hogs at Chicago
	Percent	Dollars	Dollars	Dollars	Dollars
1941					
April	129	9.38	7.97	8.16	8.37
May	130	9.45	8.03	8.31	8.96
June	132	9.60	8.16	9.12	9.79
July	133	9.67	8.22	10.32	10.75
August	136	9.89	8.41	10.48	10.68
September	138	10.03	8.53	11.24	11.04
October	141	10.25	8.71	10.13	10.41
November	143	10.40	8.84	9.70	10.16
December	143	10.40	8.84	10.32	10.65
1942					
January	146	10.61	9.02	10.69	11.36
February	147	10.69	9.09	11.85	12.58
March	150	10.90	9.26	12.52	13.37
April	151	10.98	9.33	13.48	14.18

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Estimated United States pig crops, 1940-42

Items	Unit	1940 (revised estimates)	1941 (preliminary estimates)	1942 (indicated)
Spring season				
Sows farrowed	(thousands)	8,243	7,770	9,974
Pigs saved per litter	(number)	6.01	6.36	(6.21) 1/
Total pigs saved	(thousands)	49,567	49,455	(62,000) 2/
Fall season				
Sows farrowed	(thousands)	4,760	5,531	
Pigs saved per litter	(number)	6.36	6.43	
Total pigs saved	(thousands)	30,273	35,580	

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1/ Average of the past 5 years

2/ Calculated pig crop based upon sows indicated to farrow and the 5-year average number of pigs saved per litter

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